DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT STATE FUNDED LOAN PROGRAMS

Financial Statements together with Report of Independent Public Accountants

For the Years Ended June 30, 2020 and 2019

SB & COMPANY, LLC
KNOWLEDGE · QUALITY · CLIENT SERVICE

JUNE 30, 2020 AND 2019

CONTENTS

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Office of the Secretary of the Department of Housing and Community Development

Report on the Financial Statements

We have audited the accompanying financial statements of net position of certain Department of Housing and Community Development (DHCD), State Funded Loan Programs, as of June 30, 2020 and 2019, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise DHCD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

DHCD's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

10200 Grand Central Avenue • Suite 250 • Owings Mills • Maryland 21117 • P 410.584.0060 • F 410.584.0061

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the certain Department of Housing and Community Development, State Funded Loan Programs, as of June 30, 2020 and 2019, and the respective changes in their financial position and their cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 2, the financial statements of the certain Department of Housing and Community Development, State Funded Loan Programs, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the State of Maryland that is attributable to the transactions of the certain Department of Housing and Community Development, State Funded Loan Programs. They do not purport to, and do not, present fairly the financial position of the State of Maryland as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Owings Mills, Maryland
September 28, 2020

SB + Company, LLC

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
STATE FUNDED LOAN PROGRAMS

Statements of Net Position
As of June 30, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Deposit with State Treasurer	$ 24,472,812	$ -
Restricted Deposits - MD BRAC Loans	720,368	1,578,694
State appropriations receivable	22,227,880	53,487,171
Loans and notes receivable, net of allowance and non-current portion	10,594,993	11,429,474
Accounts receivable	179,996	226,984
Accounts receivable, non operating	295,385	1,822,235
Total Current Assets	58,491,434	68,544,558
Non-Current Assets		
Restricted deposits CAP	392,708	391,899
Loans and notes receivable, net of allowance and current portion	619,959,608	572,151,902
Total Non-Current Assets	620,352,316	572,543,801
Total Assets	678,843,750	641,088,359
LIABILITIES		
Current Liabilities		
Account payable	1,088,893	2,093,429
Escrow held for borrowers	8,390	8,390
Unearned service fees	345,377	178,671
Total Current Liabilities	1,442,660	2,280,490
Non-Current Liabilities		
Restricted deposits CAP	392,708	391,899
MD-BRAC loans	1,585,000	2,585,000
Total Non-Current Liabilities	1,977,708	2,976,899
Total Liabilities	3,420,368	5,257,389
Unrestricted Net Assets	$ 675,423,382	$ 635,830,970

The accompanying notes are an integral part of these financial statements.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
STATE FUNDED LOAN PROGRAMS

Statements of Revenues, Expenses and Change in Net Position
For the Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Interest	$ 11,763,609	$ 11,091,915
Charges for services and fees	1,183,598	1,222,531
Other	141,542	99,407
Total Operating Revenues	13,088,749	12,413,853
Operating Expenses		
Operations and administrative	11,575,808	10,399,468
Servicers fees	577,458	616,701
Foreclosure expense	410,618	579,813
Provision for loan losses	19,767,938	16,041,236
Grants	38,068,599	58,653,554
Total Operating Expenses	70,400,421	86,290,772
Operating Loss	(57,311,672)	(73,876,919)
Non-Operating Revenues		
State contribution	91,061,970	98,134,839
Contributions from outside sources	5,842,114	6,822,062
Total Non-Operating Revenues	96,904,084	104,956,901
Change in net assets	39,592,412	31,079,982
Net assets, beginning of year	635,830,970	604,750,988
Net Assets, End of Year	$ 675,423,382	$ 635,830,970

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
STATE FUNDED LOAN PROGRAMS

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash Receipts:		
Interest	$ 10,000,713	$ 9,377,890
Payoffs of loan principal	15,523,682	10,274,100
Principal repayments	10,563,994	11,300,183
Changes for services and fees	1,350,304	1,401,202
Revenue sharing and other	141,542	99,408
Recovery on loan losses	44	-
Sales of owned real estate	622,155	354,823
Total Cash Receipts	38,202,434	32,807,606
Cash Disbursements:		
General and Administrative	12,153,267	11,016,169
Foreclosure expenses	410,618	579,813
Financing loans	91,908,455	68,405,085
Grants	38,805,834	60,042,037
Total Cash Disbursements	143,278,174	140,043,104
Net Cash From Operating Activities	(105,075,740)	(107,235,498)
Cash Flows from Non-Capital Financing Activities		
Contributions from outside sources	6,368,966	8,372,175
Prior year State Contributions in receivables from the State	31,529,630	(5,772,224)
State treasurer contributions	90,791,630	99,798,044
Net Cash From Non-Capital Financing Activities	128,690,226	102,397,995
Net increase (decrease) in cash and cash equivalents	23,614,486	(4,837,503)
Deposit with State Treasurer, beginning of year	1,578,694	6,416,197
Deposit with State Treasurer, End of Year	$ 25,193,180	$ 1,578,694

The accompanying notes are an integral part of these financial statements.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
STATE FUNDED LOAN PROGRAMS

Statements of Cash Flows (continued)
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Reconciliation of operating loss to net cash from operating activities:		
Operating Loss	**$ (57,311,672)**	$ (73,876,919)
Adjustments to reconcile operating loss to net cash from operating activities:		
Effect of changes in non-cash operating assets and liabilities:		
Decrease in accounts receivable/accrued interest	**46,987**	(11,301)
Increase/decrease in loans and notes receivable	**(46,973,225)**	(32,684,903)
Decrease/Increase in accounts payable	**(837,830)**	(662,375)
Total Adjustments	**(47,764,068)**	(33,358,579)
Net Cash Used in Operating Activities	**$ (105,075,740)**	$(107,235,498)

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements
June 30, 2020 and 2019

1. ORGANIZATION AND PROGRAM DESCRIPTION

The Department of Housing and Community Development (DHCD) was formed in 1987 (Chapter 311, Acts of 1987) and charged with the administration of State Funded Loan Programs (SFLP). DHCD is a cabinet level agency that reports annually to the Governor and the General Assembly on its financial health. DHCD was created to work with partners to finance housing opportunities and revitalize great places for Maryland citizens to live, work and prosper. SFLP are among many groups of loan programs administered by the State of Maryland (the State). SFLP are a part of DHCD and do not operate as a separate legal entity or agency of the State. The summary outlined below highlights the various SFLPs administered by DHCD.

A. Rental Housing Programs

Authority: Article - Housing and Community Development,
§§ 4-401 through 4-411; and §4-504; and regulations at COMAR 05.05.01.

The programs aim to increase and preserve affordable rental housing for occupancy by families of limited or low-income, including individuals and elderly households (30%-80% of area median income). Financing is provided in the form of loans for affordable rental housing development including apartments, rental town homes, congregate housing, single-room occupancy, emergency shelters, assisted living and shared living facilities. Projects may be restricted to elderly residents or special needs populations. The maximum loan amount is $2,500,000; however, the limit may be waived on a case-by-case basis. Recipients agree to rent the units to income-eligible residents for the greater of 15 years or as long as the loan is outstanding. RHP can be used for the conversion of older commercial and office buildings to market rate rental housing in designated revitalization areas in order to promote economic diversity and revitalization (the "Office Space Program"). Although the Office Space Program is currently inactive, the Department also administers Rental Housing Works for similar purposes. Rental Housing Works (RHW) was created in FY 2013 as an initiative to stimulate the economy by increasing new construction and renovation of rental housing developments statewide. RHW also received an appropriation of $24.7 M in general obligation bond funds in the FY 2015 budget. The Department applies the RHP Regulation and policies for loans under RHW. RHW funds are generally allocated in connection with bond funds.

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

B. MD-BRAC Preservation Loan Fund

Authority: Housing and Community Development Article of the Annotated Code of Maryland, as amended, §§ 2-102(3) and 2-102(6)

The purpose of the MD-BRAC Preservation Loan Fund is to leverage DHCD, federal, local and private funds to preserve affordable rental housing by providing flexible, short-term (typically 12 - 48 months) loans to spur additional affordable rental housing preservation activities in the MD-BRAC geographic footprint. Projects eligible for financing must be existing multifamily rental housing with a demonstrated need for short-term financing. Multifamily rental housing may include apartment buildings, townhouses, single room occupancy (SRO) and shared housing facilities with five (5) or more units. The Fund's definition of rental housing preservation is intentionally broad, and will extend to properties that will ultimately include all or only a portion of their units restricted to households at moderate and low income levels. Projects that do not currently meet affordability standards will be required to institute income and rent restrictions following receipt of the MD-BRAC Preservation Loan. Units must be restricted as affordable for a period of no less than 10 years. "Affordable" means rental housing with existing income or rent restrictions, or housing with rents that are affordable to households that earn up to 100% of County or Area Median Income, whichever is greater.

C. Homeownership Programs

Authority: Article - Housing and Community Development, §§4-801 through 4-810; §§4-814 through 4-816; 4-301 through 4-309; § 4-501 and §4-502

The Homeownership Programs provide low interest rate mortgages for low and moderate income first-time homebuyers who would otherwise lack the resources to purchase a home. The program began in 1970. The program includes the Downpayment and Settlement Expense Loan Program (DSELP), which provides funds for down payment and settlement expenses, and the Maryland Home Financing Program (MHFP), which makes direct loans to households to purchase homes or to disabled borrowers or borrowers with a disabled child or eligible family member under the Homeownership for Individuals with Disabilities Program. Financing is provided in the form of a loan. Regulations covering the Programs, are found at COMAR 05.03.01, and 05.03.04.

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

D. Special Loan Programs

Authority: Article – Housing and Community Development, §§4-901 through 4-923, §4-926, §4-927, §4-931 and §4-933, for the Maryland Housing Rehabilitation Program, Indoor Plumbing Loan Program and Accessible Homes for Senior Homeowners Grant Program

Article – Housing and Community Development, §§4-701 through 4-712 for the Lead Hazard Reduction Grant Program and Lead Hazard Reduction Loan Program

Article – Housing and Community Development §§4-601 and §4-612 for the Group Home Financing Program

Article – Housing and Community Development §4-501 and §4-505

The Special Loan Programs provide preferred interest rate loans and grants to low and moderate income families, sponsors of rental properties occupied primarily by limited income families, and non-profit sponsors of housing facilities, including group homes.

The programs are designed to bring housing up to code, make accessibility improvements for senior homeowners, provide a safe/sanitary water/sewage system, and remediate lead paint hazards that are present in the housing stock and/or acquire, construct and modify homes suitable for use as group homes for persons with special housing needs. A listing of various activities conducted within the Special Loan Programs follows.

Maryland Housing Rehabilitation Program
The Maryland Housing Rehabilitation Program – Single Family (MHRP-SF) was effective August 3, 1977. The purpose of the program is to extend loans to eligible individuals and sponsors to finance the rehabilitation of housing occupied by families of limited income. The loan funds are used to eliminate health, safety and maintenance deficiencies and eliminate the residential properties' health, safety and maintenance deficiencies and ensure compliance with applicable housing codes and standards. The requirements of the program are outlined in COMAR 05.04.01.

Accessible Homes for Senior Homeowners Grant Program
The Accessible Homes for Senior Homeowners Grant Program was effective October 1, 2013. The purpose of the program is to finance accessibility-related renovation or repair activities for elderly homeowners. The requirements of the program are outlined in COMAR 05.04.15.

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

D. Special Loan Programs (continued)

Indoor Plumbing Loan Program
The Indoor Plumbing Program (IPP) was effective August 28, 1986. The purpose of the program is to make loans to or for the benefit of individuals with limited income to finance indoor plumbing pipes, equipment, wells, septic tanks, or other on-site sewage systems or connection to community water and sewage systems. The requirements of the program are outlined in COMAR 05.04.05.

Accessory, Shared and Sheltered Housing Program
The Accessory, Shared and Sheltered Housing Program (ASSP) was effective August 28, 1986. The purpose of the program is to make loans to or for the benefit of individuals with limited income to finance rehabilitation projects to provide housing opportunities for families of limited income by creating accessory, shared and sheltered housing facilities. The requirements of the program are outlined in COMAR 05.04.08.

Lead Hazard Reduction Grant and Loan Program
The Lead Hazard Reduction Grant and Loan Program (LHP) was effective August 28, 1986. It was previously called the Residential Lead Paint Abatement Program. The purpose of the program is to extend loans and grants to eligible individuals, child care centers and sponsors to finance the lead hazard reduction in residential housing units. The requirements of the program are outlined in COMAR 05.04.06.

Group Home Financing Program
The Group Home Financing Program (GHFP) was effective February 23, 1987. The purpose of the program is to provide loans to sponsors to finance the costs of acquiring, constructing, and modifying or refinancing buildings or to refinance loans which will provide or maintain group homes for low-income, elderly, handicapped, disabled, and other residents of the State with special housing needs. The requirements of the program are outlined in COMAR 05.04.09.

E. Neighborhood Business Works

Authority: Article – Housing and Community Development, §§6-301 through 6-311. Regulations concerning the program are found at COMAR 05.13.01

Neighborhood Business Development Program
The Neighborhood Business Development Program, operating as Neighborhood Business Works (NBW) was established October 1, 1995 to provide flexible gap financing for small businesses starting up or expanding in designated sustainable communities throughout Maryland. Loans are made to Maryland-based local development corporations, microenterprises, non-profit organizations, or small businesses.

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

E. Neighborhood Business Works (continued)

Loans and grants are made to those organizations whose activities contribute to a broader revitalization of the sustainable community (e.g., reuse of vacant/underutilized buildings or providing needed goods or services to area residents). Financing ranges from $1,000 up to the lesser of (i) $500,000 or (ii) 50% of the total project costs. Loan applicants must provide a cash contribution of at least 5 percent of the total project costs. Regulations concerning the program are found at COMAR 05.13.01.

Capital Access Program
The Capital Access Program (CAP), a component of NBW, was established October 1, 2000 to stimulate the provision of private capital to small businesses in Priority Funding Areas throughout the State. This program stimulates private sector lending to small businesses by offering an incentive to private lenders to make loans to borrowers that otherwise might not qualify for conventional loans. It enables private lenders to establish a loan loss reserve fund from fees paid by borrowers, lenders, and the State. Enrolled amounts may range from $1,000 to $1,000,000, and either the entire loan or a portion of the loan may be enrolled. Up to $1 million from the annual appropriation for the Neighborhood Business Development Program may be used for this program. There is currently only one bank (BB&T) enrolled in the program and there has been no lending activity since 2012.

Legislative changes to the Neighborhood Business Works Program in 2004 gave the Department the ability to:

- Assign or sell up to $4 million in loans from the BBDP each year, generating funds for new loans to small businesses. The loans can be sold to national partners, such as the Community Reinvestment Fund, who support neighborhood revitalization initiatives and purchase loans from state and local governments.
- Expand eligible uses of the Program to include microenterprises, creating jobs and expanding economic opportunities for lower income individuals and neighborhoods.

Legislative changes to the Neighborhood Business Works Program in 2010 gave the Department the ability to:

Expand lending to microenterprises by reducing administrative barriers to making microloans and provide better access to capital for establishing and sustaining micro-businesses. This change also authorizes the Department to provide financial assistance to a certain entity for the purposes of the entity making subloans to eligible microenterprises. Eligible microenterprises will have less than five employees and can receive loans up to $35,000. Terms are typically less than five years and rates and fees will vary depending on the size of the loan, loan underwriting and market conditions, but would be below the rates charged for comparable loans by the U.S. Small Business Administration which currently range from 8 to 13 percent. On average, a combined interest rate of 5 – 7% would be the maximum rate goal predicated on credit and capacity to repay the loan.

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

F. Community Legacy Program

Authority: Article – Housing and Community Development, Title 6, Subtitle 2, §§ 6-201 through 6-213. Regulations concerning the program are found at COMAR 05.17.01

Community Legacy Program (CLP) improves the effectiveness of State support for neighborhood revitalization by complementing and supplementing existing resources. The program provides gap resources to stabilize or revitalize communities located in Sustainable communities, and in accordance with Sustainable Community Plan. Sustainable Community Areas are a result of the 2010 Sustainable Communities Act that created a consolidated area for revitalization investment. Sustainable Community Areas were formerly known separately as Community Legacy Areas and Designated Neighborhoods and also now include Base Realignment and Closure (BRAC) Zones and designated Transit Oriented Development (TODs).

For example, the following activities have been included in Community Legacy applications:

- Establishment of programs to attract home buyers to purchase and rehabilitate vacant homes;
- Programs for existing homeowners and businesses to improve their properties;
- Development of mixed-use projects that may combine housing, retail, office, public, and open spaces.
- Development of new public spaces; and
- Upgrades to infrastructure to support related revitalization investment.

The Neighborhood Intervention Component of the Community Legacy Program is intended to function as a preventative measure either in or outside of a Sustainable Community to address problem properties that are having a negative impact on the community. The two eligible uses of a Neighborhood Intervention Project are:

- To buy properties that need rehabilitation and redeveloping the properties through rehabilitation, demolition, reconstruction or re-use; or
- Strategically demolishing buildings that are dangerous for use or occupancy, or so deteriorated that rehabilitation is not feasible, and preparing the property for revitalization, redevelopment or re-use.

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

G. Strategic Demolition Fund (SDF)

Authority: Article – Housing and Community Development, Title 4, Subtitle 5, § 4-508

The Strategic Demolition Fund (SDF) accelerates economic development and job production in existing Maryland communities. The SDF aims to improve the economic potential of otherwise blighted areas. Awards focus on blight removal and redevelopment projects that can have a high economic and revitalization impact in their existing communities. Projects are located in designated Sustainable Communities throughout Maryland. Sustainable Communities are areas found within Priority Funding Areas and are local targets for revitalization. Awards are made available on a competitive basis. Lead applicants are local governments or nonprofit community development organizations.

During the 2016 legislative session, the Strategic Demolition Fund was codified as a special non-lapsing fund. Within the legislation, specific funding levels were included for FY 17 through FY 19 ($21.5 million for FY 17, $25,625,000 for FY 2018 and $28,500,000 for FY 2019). Of $28.5 million for FY 19, $25 million will be earmarked for projects in Baltimore City and $3.5 million for projects throughout the State.

This initial commitment of $18 million to Baltimore City builds on the FY 16 investment of approximately $10 million to Baltimore City projects and is the genesis for an important Governor's initiative - Project C.O.R.E.

Project C.O.R.E. or Creating Opportunities for Renewal and Enterprise, is creating a new canvas for Baltimore, clearing the way for new green space, new affordable and mixed use housing, new and greater opportunities for small business owners to innovate and grow. The initiative will generate jobs, strengthen the partnership between the City of Baltimore and the State of Maryland and lead to safer, healthier and more attractive spaces for families to live and put down roots.

During the 2018 legislative session, the Project C.O.R.E. initiative was codified as a special non-lapsing fund called the Creating Opportunities for Renewal and Enterprise (CORE) Partnership Fund, in order to assist the Department, in conjunction with the Maryland Stadium Authority and Baltimore City, in expeditiously removing blighted property within Baltimore City.

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

H. Baltimore Regional Neighborhood Initiative (BRNI)

Authority: Article – Housing and Community Development, Title 6, Subtitle 5, §§ 6-501 through 6-510.

The Baltimore Regional Neighborhood Initiative (BRNI) aims to demonstrate how strategic investment in local housing and businesses can lead to healthy, sustainable communities with a growing tax base and enhanced quality-of-life. The initiative targets communities located in the Baltimore region where modest investment and a coordinated strategy will have an appreciable neighborhood revitalization impact. Created as a pilot in the 2013 Maryland General Assembly Session, the program is a recommendation of the House Regional Revitalization Workgroup, organized by Speaker Michael Busch. Capital and operating projects will be located in the designated Sustainable Communities in Baltimore City and the inner Baltimore beltway communities of Anne Arundel and Baltimore Counties. Sustainable Communities are areas found within Priority Funding Areas (PFAs) and are targeted for revitalization.

Awards are made available on a competitive basis. Lead applicants will be nonprofit community development organizations (CDCs or Coalitions) in Baltimore City, or the inner beltway communities of Baltimore County or Anne Arundel County, that are implementing a clear revitalization strategy in a specific neighborhood or set of neighborhoods. The revitalization strategy would aim for the goal of growing the targeted community's population and workforce, and improving key quality-of-life features that establish the conditions for increasing market-rate investment, positioning the target communities to become competitive for residential and economic investment in the region. In addition to other partners, eligible applicants are encouraged to apply along with a nonprofit Community Development Financial Institution (CDFI) partner.

The program funds will support a wide range of capital and operating community enhancement projects, including but not limited to:

- Down payment assistance to attract home buyers to purchase and rehabilitate homes;
- Funds for the acquisition and rehabilitation of vacant homes for resale to new homebuyers;
- Programs for existing homeowners and businesses to improve their properties;
- Programs that encourage weatherization and energy retrofits to achieve energy efficiency;
- Development of mixed-use projects that may combine housing, retail and office space;
- Development or enhancement of community open space;
- Strategic Demolition;
- Workforce and employment development programs; and
- Operating costs necessary to implement a community enhancement project.

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

I. Partnership Rental Housing Program

Authority: Article - Housing and Community Development,
§§4-1201 through 4-1209 and §4-503. Regulations covering the program are found at COMAR 05.05.05

The Partnership Rental Housing Program is to expand the supply of affordable housing for low-income households through a partnership between the State and local governments. The program was created in 1988 as a pilot program and was enacted as a permanent program in fiscal year 1991. In 2006, the Program was amended to expand borrower eligibility to include private sector entities that agree to provide rental units to lower-income eligibility to include private sector entities that agree to provide rental units to lower-income households that include one or more individuals with disabilities or special needs. Financing is provided in the form of deferred loans to projects that can be maintained economically as lower income housing. Except in the case of housing for individuals in disabilities or if there is a conflict with federal law, residents must contribute services to enhance or maintain the facility, grounds or community.

J. Housing & Building Energy Programs

Empower
The Maryland Public Service Commission Order No. 88514 awarded $83.4 million of Special Funds for a third three-year period covering CY 2018 to CY2020 to DHCD to manage the weatherization and energy efficiency programs intended for low income households under EmPOWER MD. The purpose of the Empower Program is to promote energy efficiency and affordability in the State's multifamily rental housing developments for low and moderate income households. These improvements are intended to reduce a building's energy use and lower utility bills for occupants and owners. Financing is provided in the form of loans and grants with flexible terms.

Energy-Efficiency Homes Construction Loan Program
The Energy-Efficiency Homes Construction Loan Program was created in 2014 to provide construction loans for low-energy and net-zero homes. A "Low-energy home" means a home that is designed to be at least 60% more energy efficient than a home built to applicable building code standards in effect before July 1, 2014. A "Net-zero home" means a home that is designed to produce an amount of energy in one year that is equal to the amount of energy that the home uses in one year.

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

J. Housing & Building Energy Programs (continued)

In FY 2017, DHCD provided $2.1 million ($700,000 Energy Efficiency Block Grant and $1.4 million Strategic Energy Investment Funds (SEIF) for the Net Zero Program) for renovating 42 single family homes into 75 net zero duplex or single family homes for at-risk or homeless veterans.

DHCD entered into a Memorandum of Understanding with the Maryland Energy Administration in FY 2018 that provided DHCD with $1.1 million of Strategic Energy Investment Funds (SEIF) for the Net Zero Program. The program also received $500,000 of General Funds (appropriated in FY 2017) and $1 million of GO Bonds is included in the CIP for FY 2020.

K. Local Government Infrastructure Fund

Authority: Article - Housing and Community Development, §§2-102(a) and 4-211(a).

The Local Government Infrastructure Fund (LGIF) Office of Rural Broadband will identify and coordinate the delivery of resources to local Maryland jurisdictions to improve access to high-speed internet. The program will help local jurisdictions identify and apply for funding, such as federal funding, that can be used to expand access to high-speed internet. The program will also provide low-cost capital grants and loans to local governments for infrastructure projects and financing. FY 2021 projects will be determined based on future applications received by DHCD.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

SFLP utilize the enterprise fund accounting method for financial reporting purposes in accordance with governmental accounting principles generally accepted in the United States of America. The accompanying financial statements present the financial position, change in financial position and cash flows of SFLP.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Relationship with the State

SFLP are just a few of the many programs administered by DHCD and the State. Other State agencies, such as the Department of Budget and Management, support DHCD by providing services for DHCD and thus allocate a portion of their expenses to DHCD. SFLP have no direct employees and are entirely supported by staff at DHCD to perform all necessary functions of SFLP. DHCD allocates certain operating, general and administrative costs to SFLP, which is DHCD's estimate of its cost to manage and administer SFLP's operations. This allocation from DHCD is not necessarily representative of SFLP cost as if they were a stand-alone entity and could significantly change in the future. SFLP records these costs as invoiced by DHCD for the fiscal year. However, the allocation is subject to review and adjustment subsequent to year end. Any adjustment is included on the invoice and recorded in the period in which the adjustment is identified.

SFLP's accompanying financial statements are not indicative of SFLP as if it were a stand-alone entity. SFLP are included in the enterprise funds of the State.

D. Revenues and Expenses

SFLP distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from mortgage lender activities in connection with SFLP's ongoing operations. The primary operating revenues are interest income on loans. Operating expenses include expenses relating to the servicing of the loans, provision for loan losses, asset management, salaries, and administrative expenses. Non-operating revenues and expenses include payments related to participants in MD BRAC and contributions from the State. To the extent considered to be material by management, loan origination fees and costs are capitalized and amortized over the estimated life of the related loans.

3. CASH AND CASH EQUIVALENTS

A. Definition

SFLP define cash and cash equivalents as cash and short-term investments that are held on deposit with the State Treasurer and any unspent appropriations. Cash receipts and disbursements of SFLP are made through a cash pool maintained by the State Treasurer. The cash is invested under the State's guidelines. Additional information can be obtained from the State of Maryland Comprehensive Annual Financial Report.

As of June 30, 2020 and 2019, SFLP deposit balances with the State Treasurer and restricted deposits of $25,193,180 and $1,578,694, respectively.

3. CASH AND CASH EQUIVALENTS (continued)

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SFLP adhere to Maryland State Treasurer's policy for managing its exposure to fair value loss arising from increasing interest rates. The Maryland State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SFLP's policy for reducing its exposure to credit risk is to comply with the Maryland State Treasurer's policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. SFLP's policy for reducing this risk of loss is to comply with the Maryland State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30 percent of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

E. Restricted Deposits

Under GASB Statement No. 34, net assets should be reported as restricted when constraints placed on net assets use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other government; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all funds and accounts whose purpose is to pay future claims are restricted as to their use, as is interest earned on these restricted assets.

One of the SFLP's programs, CAP, designed to enable private lenders to establish a loan loss reserve fund from fees paid by borrowers, lenders, and the State. CAP is exempt from the requirements of Title 6, Subtitle 2 of the State Finance and Procurement Article, which is the source of the State's investment policy (specifically, Section §6-223 of the Finance and Procurement Article).

3. CASH AND CASH EQUIVALENTS (continued)

E. Restricted Deposits (continued)

CAP is exempt from the requirement cited in that section by virtue of Article – Housing and Community Development, Section §6-309(f)(2), which specifically exempts DHCD's contributions from the requirements of Title 6, Subtitle 2. Therefore, CAP reserve accounts are not required to be under the $250,000 maximum insurance coverage per account from the Federal Deposit Insurance Corporation (FDIC).

The CAP reserves are restricted deposits in what management believes to be high quality financial institutions. However, to the extent that each of these accounts exceeds $250,000, they are exposed to custodial credit risk as the excess is both uninsured and uncollateralized. As of June 30, 2020, the combined restricted cash bank and book balance was $392,708 of which $42,959 was not insured and collateralized. As of June 30, 2019, the combined restricted cash bank and book balance was $391,899 of which $42,160 was not insured and collateralized. The increase in the CAP reserves is the difference between the interest earned and the monthly service fees charged by the custodial financial institutions. No payment from the CAP reserves is due in the current year.

As of June 30, 2020 and 2019, the MD BRAC program had $720,368 and $1,578,694 in cash. This program is restricted to making loans for the specific purpose of providing multifamily developers with short term loan financing. These developers will help to alleviate the impact of the Base Realignment and Closure (BRAC) initiative in the Counties surrounding the Fort Meade area.

F. Custodial Credit Risk-Deposits

Custodial credit risk is the risk that, in the event of a bank failure, SFLP's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in SFLP's name. SFLP do not have a formal deposit policy for custodial credit risk, but follow the Maryland State Treasurer's policy which states the Treasurer may deposit in a financial institution in the State, any unexpended or surplus money in which the Treasurer has custody. As of June 30, 2020 and 2019, all of the SFLP's cash was deposited with the State Treasury, and this was not subject to custodial risk.

4. LOANS AND NOTES RECEIVABLE, NET OF ALLOWANCE

Loans are stated at the amount of unpaid principal adjusted for any write-offs, allowance for loan losses, and deferred fees or costs on originated loans.

4. LOANS AND NOTES RECEIVABLE, NET OF ALLOWANCE (continued)

The allowance for loan losses is established through a provision for loan losses when management believes that repayment of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb estimated losses on existing loans that may become uncollectible, based on current factors and prior loan loss experience.

Current factors include, but are not limited to, changes in the composition and volume of the loan portfolio, overall portfolio quality, and review of specific problem loans in conjunction with the current economic conditions that may affect the borrower's ability to pay.

While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in the factors considered, such as the economic condition of the borrower or certain related industry concentrations. All loans are for property located within the State of Maryland.

Management considers a loan to be impaired when the loan is 60 days delinquent from its stated repayment terms. As of June 30, 2020 and 2019, there were 2,020 and 1,915 loans, respectively, with outstanding principal of $16,034,554 and $18,081,888, respectively, considered impaired and written down to their estimated net realizable value.

Composition of SFLP Loan Portfolio

SFLP established a 100 percent allowance for loan losses on all Partnership Rental Housing Program loans because the program is such that the loans do not have to be repaid as long as the borrower complies with the terms of the program and continues to use the property in accordance with regulatory agreements. For the years ended June 30, 2020 and 2019, the provision for loan losses includes $6,077,462 and $6,777,573 respectively, related to loans issued during the year from the Partnership Rental Housing Program.

The change in the allowance for loan losses was as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Beginning balnace	**$ 338,710,118**	$ 325,373,405
Provision charged to operations	**19,767,938**	16,041,235
Loans (charged off) / recovery	**(3,783,612)**	(3,595,714)
Allowance for converted MEEHA	**-**	891,192
Ending balance	**$ 354,694,444**	$ 338,710,118

4. LOANS AND NOTES RECEIVABLE, NET OF ALLOWANCE (continued)

Composition of SFLP Loan Portfolio (continued)

As of June 30, 2020	# of Loans / Notes	Outstanding Principal	Allowance For Loan Losses	Mortgage Receivable Net
Rental Housing Programs	433	$ 492,165,107	$ 72,970,152	$ 419,194,955
Homeownership Programs	17,515	137,677,410	19,893,414	117,783,996
Specioal Loan Programs	1,661	69,730,283	22,430,442	47,299,841
Neighborhood Revitalization Programs	158	47,961,012	5,993,953	41,967,059
Partnership Rental Housing Program	114	233,215,233	233,215,233	-
BRAC - MFD Loans	1	4,500,000	191,250	4,308,750
Loans Receivable	19,882	$ 985,249,045	$ 354,694,444	$ 630,554,601

As of June 30, 2019	# of Loans / Notes	Outstanding Principal	Allowance For Loan Losses	Mortgage Receivable Net
Rental Housing Programs	421	$ 457,056,276	$ 68,258,120	$ 388,798,156
Homeownership Programs	16,122	121,343,802	17,220,601	104,123,201
Specioal Loan Programs	1,673	70,275,577	19,854,867	50,420,710
Neighborhood Revitalization Programs	185	41,978,068	6,047,508	35,930,560
Partnership Rental Housing Program	113	227,137,771	227,137,771	-
BRAC - MFD Loans	1	4,500,000	191,250	4,308,750
Loans Receivable	18,515	$ 922,291,494	$ 338,710,117	$ 583,581,377

5. NOTE PAYABLE

In April 2010, the DHCD obtained a loan from the John D. and Catherine T. MacArthur Foundation to foster and enable preservation of affordable housing for low-income persons and families near military bases in those counties in Maryland which are impacted by the Base Realignment and Closure initiative (BRAC). The entire potential amount of the loan is $4,000,000, of which $3,000,000 has been received as of June 30, 2019. DHCD is required to make quarterly payments of interest on the unpaid principal balance. The current outstanding principal balance has been paid in full.

Interest expense for the years ended June 30, 2020 and 2019 were $15,000 and $35,000 respectively, at the rate of 2% per year.

In FY 2012, Montgomery County, Harford County, and Howard County committed matching funds for participation in the Base Realignment and Closure initiative (BRAC). The beginning balance of the total BRAC notes payable as of July 1, 2018 was $3,585,000. As of June 30, 2020, the total notes payable for BRAC is $1,585,000. The decrease is due to the commencement of the repayment schedule of the BRAC note payable in accordance with the memorandum of understanding between DHCD and the MacArthur foundation. The BRAC notes payable balance includes the following loans received from several Maryland counties as shown below:

Loans Payable as of June 30, 2020		
MacArthur	$	-
Montgomery County		320,000
Harford County		312,500
Howard County		320,000
Baltimore County		312,500
Prince George's County		320,000
	$	**1,585,000**

The funds have been committed for no less than 10 years unless DHCD fails to fulfill any or all of its obligations related to the program. The Counties may terminate their association with BRAC if the default by DHCD is not cured within 30 days. If the default is not cured within 30 days, DHCD will reimburse the Counties' contributions in excess of any loan fund dollars applied towards County projects, subject to the available balance in the MD BRAC Loan Fund.

6. COMMITMENTS

As of June 30, 2020 and June 30, 2019, SFLP committed to provide $135,672,745 and $133,662,163 loans and is holding $8,116 in escrow accounts for borrowers. DHCD does not currently have any tax abatement program applicable under GASB 77.

7. PENSION AND OTHER POSTRETIREMENT BENEFITS

Eligible employees who perform services for SFLP and employees of the State are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. SFLP's only liability for retirement and post-employment benefits is its required annual contribution to DHCD, which in turn was paid in full to the State of Maryland prior to year end. The System is considered part of the State's financial reporting entity, and is not considered a part of SFLP's reporting entity. The System prepares a separate Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension System of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

MARYLAND AFFORDABLE HOUSING TRUST

Financial Statements Together with Reports of Independent Public Accountants

For the Years Ended June 30, 2020 and 2019

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2020 AND 2019

CONTENTS

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees of the
Maryland Affordable Housing Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the general fund of the Maryland Affordable Housing Trust (MAHT), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements which collectively comprise MAHT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

MAHT's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

10200 Grand Central Avenue • Suite 250 • Owings Mills • Maryland 21117 • P 410.584.0060 • F 410.584.0061

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of MAHT as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Schedule of Revenue and Expenditures – Budget and Actual, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, on our consideration of MAHT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Maryland's internal control over financial reporting and compliance.

Owings Mills, Maryland
September 28, 2020

SB & Company, LLC

Management's Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

Our discussion and analysis of the Maryland Affordable Housing Trust's (MAHT) financial performance provides an overview of MAHT's financial activities for the years ended June 30, 2020 and June 30, 2019. Please read it in conjunction with MAHT's basic financial statements, which begin on page 10.

The mission of MAHT is to enhance the availability of affordable housing throughout the State of Maryland by providing assistance for households earning less than 50% of median income, with a preference given to serving households earning less than 30% of median income.

Financial Highlights

- MAHT reported net position of $4.56 million, $3.51 million, and $2.43 million for the fiscal years 2020, 2019, and 2018, respectively.

- MAHT's total net position increased by $1.05 million in fiscal year 2020, and increased by $1.08 million in fiscal year 2019. Increases or decreases for fiscal year net position are usually the result of program operations.

- MAHT's activities in fiscal year 2020 had total program revenues of $2.33 million and total general expenditures of $1.279 million. Total expenditures increased from last year, and as a direct result of increased grant draws. Administrative expenses were higher than the previous fiscal year and were under the 5% threshold. Revenues received from title companies increased noticeably from last year as a result of real estate market conditions. The earnings derived from funds on deposit with the State Treasurer continued to be retained by the Treasurer as outlined in the 2010 Budget Reconciliation and Financing Act.

- MAHT's activities in fiscal year 2019 had total program revenues of $1.98 million, funding from the Department of Housing and Community Development of $732 and total general expenditures of $0.903 million. Total expenditures decreased from last year, and as a direct result of decreased grant draws. Administrative expenditures were higher than the previous fiscal year and were over the 5% threshold. Revenues received from title companies increased noticeably as a result of real estate market conditions. The earnings derived from funds on deposit with the State Treasurer continued to be retained by the Treasurer as outlined in the 2010 Budget Reconciliation and Financing Act.

Financial Highlights (continued)

- MAHT's current year and prior year revenues included collections recovered with the assistance of the Maryland Insurance Administration (MIA). The fiscal year 2020 amount was $11,521, the fiscal year 2019 amount was $27,817, and fiscal year 2018 was $10,485. Greater regulatory compliance from the title industry on a monthly basis has contributed to the positive decline in this revenue source.

- The Department of Housing and Community Development (DHCD) contributed $732 in fiscal year 2019. In fiscal year 2020, no funding was needed due to the elimination of the second program staff position and increased revenue collection. MAHT regulations allow for 5% of fund balance to be used to cover program administrative expenditures.

- MAHT's Long-term receivables consist of several contractual agreements to repay pre-development grants should conditions warrant. The allowance for doubtful accounts was established to show the net amount projected to be collected in the near term.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the MAHT's basic financial statements. MAHT's basic financial statements consist of government-wide and fund financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

This annual report consists of two financial statements: (1) Government-wide Statement of Net Position and (2) Combined Government-wide Statement of Activities (on pages 10 through 12). These financial statements provide information about the activities of MAHT as a whole.

The government-wide financial statements provide a broad overview of MAHT's operations in a manner similar to a private-sector business. The statements provide information about MAHT's financial position which assists readers in assessing MAHT's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include the following two statements.

The *Statement of Net Position* presents all of MAHT's assets and liabilities, with the difference between the two reported as "net position." Over time, increases and decreases in MAHT's net position may serve as a useful indicator of whether the financial position of MAHT is improving or deteriorating.

USING THIS ANNUAL REPORT (continued)

Government-wide Financial Statements (continued)

The *Statement of Activities* presents information showing how MAHT's position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MAHT, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the governmental-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating MAHT's near-term financing requirements. These financial statements are included on pages 13 and 14.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 15-23 of this report.

Required Supplementary Information

The required supplementary information includes a budgetary comparison schedule for expenditures.

Management's Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

CONDENSED FINANCIAL INFORMATION

The following condensed financial information was derived from the government-wide *Statements of Net Position* for the years then ended.

	2020	2019	Increase (Decrease)	Percent Change
Cash	$ 4,762,214	$ 3,420,238	$ 1,341,976	39.2%
Short-term receivable	55,703	186,975	(131,272)	-70.2%
Long-term receivable, net	2,500	8,500	(6,000)	-70.6%
Total Assets	4,820,417	3,615,713	1,204,704	33.3%
Other liabilities	250,647	99,499	151,148	151.9%
Net Position - Restricted	$ 4,569,770	$ 3,516,214	$ 1,053,556	30.0%

The fiscal year 2020 increase of $1,204,704 in total assets is due mainly to the increase in cash on hand. Revenues received from title company bank interest receipts were higher, again, in 2020.

The fiscal year 2020 increase of $151,148 in liabilities was due mainly to greater requests presented for grant draws as of June 30th.

	2019	2018	Increase (Decrease)	Percent Change
Cash	$ 3,420,238	$ 2,619,011	$ 801,227	30.6%
Short-term receivable	186,975	161,618	25,357	15.7%
Long-term receivable, net	8,500	14,500	(6,000)	-41.4%
Total Assets	3,615,713	2,795,129	820,584	29.4%
Other liabilities	99,499	360,406	(260,907)	-72.4%
Net Position - Restricted	$ 3,516,214	$ 2,434,723	$ 1,081,491	44.4%

The fiscal year 2019 increase of $820,584 in total assets is due mainly to the increase in cash on hand. Revenues received from title company bank interest receipts were higher, again, in 2019.

The fiscal year 2019 decrease of $260,907 in liabilities was due mainly to fewer requests presented for grant draws as of June 30th.

Management's Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

CONDENSED FINANCIAL INFORMATION (continued)

The following condensed financial information was derived from the government-wide *Statements of Activities* for the years then ended.

	2020	2019	Increase (Decrease)	Percent Change
Program Revenues:				
Escrow income	$ 2,333,397	$ 1,960,596	$ 372,801	19.0%
Return of grant funds	-	23,800	(23,800)	-100.0%
Total Program Revenues	2,333,397	1,984,396	349,001	17.6%
Program Expenses:				
Grant expenditures	1,155,819	781,169	374,650	48.0%
Administration	124,022	122,468	1,554	1.3%
Total Program Expenses	1,279,841	903,637	376,204	41.6%
Income before contributions, transfers and extraordinary items	1,053,556	1,080,759	(27,203)	-2.5%
Funding from Department of Housing and Community Development	-	732	(732)	100.0%
Total Other Income	-	732	(732)	100.0%
Change in Net Position	1,053,556	1,081,491	(27,935)	-2.6%
Net Position - Beginning	3,516,214	2,434,723	1,081,491	44.4%
Net Position - Ending	$ 4,569,770	$ 3,516,214	$ 1,053,556	30.0%

The total revenue increase of $349,001, in fiscal year 2020, was a combination of increases in escrow remittances. Bank remittances increased by $372,801 recoveries of prior period interest decreased by $16,296, DHCD Program Support decreased by $732, and returns on pre-development loans decreased by $23,800.

Total fund expenditures increased by $376,204 in fiscal year 2020 as compared to fiscal year 2019. Expenditures for grants were $374,649 more in fiscal year 2020. The grant payments consisted of 41.7% of current year commitments and 58.3% of prior fiscal year commitments. There was a $1,554 increase in administrative expenses from fiscal year 2020 to 2019 due to increased staffing costs.

During the fiscal years ending 2020 and 2019, the continued partnership of the Maryland Insurance Administration (MIA) staff, and the MAHT program staff, in investigating and collecting delinquent remittances, and educating title companies on their legal requirements under the MAHT regulations collected $11,521 and $27,817, respectively. The cumulative collected totals at fiscal year 2020 and fiscal year 2019 were $1,862,364 and $1,850,843 respectively.

MARYLAND AFFORDABLE HOUSING TRUST

Management's Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

CONDENSED FINANCIAL INFORMATION (continued)

The following condensed financial information was derived from the government-wide *Statements of Activities* for the years then ended.

	2019	2018	Increase (Decrease)	Percent Change
Program Revenues:				
Escrow income	$ 1,960,596	$ 1,566,106	$ 394,490	25.2%
Return of grant funds	23,800	475,257	(451,457)	-95.0%
Total Program Revenues	1,984,396	2,041,363	(56,967)	-2.8%
Program Expenses:				
Grant expenditures	781,169	1,227,233	(446,064)	-36.4%
Administration	122,468	118,366	4,102	3.5%
Total Program Expenses	903,637	1,345,599	(441,962)	-32.9%
Income before contributions, transfers and extraordinary items	1,080,759	695,764	384,995	55.3%
Funding from Department of Housing and Community Development	732	-	732	100.0%
Total Other Income	732	-	732	100.0%
Change in Net Position	1,081,491	695,764	385,727	55.4%
Net Position - Beginning	2,434,723	1,738,959	695,764	40.0%
Net Position - Ending	$ 3,516,214	$ 2,434,723	$ 1,081,491	44.4%

The total revenue decrease of $56,967, in fiscal year 2019, was a combination of increases in escrow remittances and returns on previously granted funds. Bank remittances increased by $394,400, recoveries of prior period interest increased by $17,332, DHCD Program Support increased by $732, and returns on pre-development loans decreased by $451,457.

Total fund expenditures decreased by $441,962 in fiscal year 2019 as compared to fiscal year 2018. Expenditures for grants were $446,064 lesser in fiscal year 2019. The grant payments consisted of 56.4% of current year commitments and 43.6% of prior fiscal year commitments. There was a $4,102 increase in administrative expenses from fiscal year 2019 to 2018 due to increased staffing costs.

During the fiscal years ending 2019 and 2018, the continued partnership of the Maryland Insurance Administration (MIA) staff, and the MAHT program staff, in investigating and collecting delinquent remittances, and educating title companies on their legal requirements under the MAHT regulations collected $27,817 and $10,485, respectively. The cumulative collected totals at fiscal year 2019 and fiscal year 2018 were $1,850,843 and $1,823,026 respectively.

MARYLAND AFFORDABLE HOUSING TRUST

Management's Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

BUDGETARY HIGHLIGHTS

There was an increase of $1,652,310 between the original budget and the final budget for MAHT resulting in a total fund appropriation of $3,086,163, for fiscal year 2020, and $1,429,066 for fiscal year 2019. Of the fiscal year 2020 funds, $606,133 was expended, $2,354,459 was encumbered, and $125,571 was held over for fiscal year 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
As of June 30, 2020, and June 30, 2019, MAHT had no funds invested in capital assets.

Debt
As of June 30, 2020, and at June 30, 2019, MAHT had no debt outstanding.

CONTACTING MAHT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the users of these financial statements with a general overview of MAHT's finances. If you have questions about this report or need additional financial information, contact the Director of Loan Accounting or the Director of Finance and Administration, Maryland Department of Housing and Community Development, 7800 Harkins Road, Lanham, Maryland 20706.

MARYLAND AFFORDABLE HOUSING TRUST

Statements of Net Position
As of June 30, 2020, and 2019

	Governmental Activities	
	2020	**2019**
ASSETS		
Cash	**$ 4,762,214**	$ 3,420,238
Short-term receivable	**55,703**	186,975
Long-term receivable, net	**2,500**	8,500
Total Assets	**4,820,417**	3,615,713
LIABILITIES		
Accounts payable and accrued expenses	**250,647**	99,499
Total Liabilities	**250,647**	99,499
NET POSITION		
Restricted	**4,569,770**	3,516,214
Total Net Position	**$ 4,569,770**	$ 3,516,214

The accompanying notes are an integral part of these statements.

MARYLAND AFFORDABLE HOUSING TRUST

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net Revenue and Changes in Net Assets
Program grant expenses	$ 1,155,819	$ 2,209,375	$ 1,053,556
Program administration	124,022	124,022	-
Total	**$ 1,279,841**	**$ 2,333,397**	**$ 1,053,556**
Change in Net Position			1,053,556
Net Position - Beginning			3,516,214
Net Position - Ending			$ 4,569,770

The accompanying notes are an integral part of this statement.

MARYLAND AFFORDABLE HOUSING TRUST

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net Expense and Changes in Net Assets
Program grant expenses	$ 781,169	$ 1,861,928	$ 1,080,759
Program administration	122,468	123,200	732
Total	$ 903,637	$ 1,985,128	$ 1,081,491
Change in Net Position			1,081,491
Net Position - Beginning			2,434,723
Net Position - Ending			$ 3,516,214

The accompanying notes are an integral part of this statement.

MARYLAND AFFORDABLE HOUSING TRUST

Balance Sheets - Governmental Fund
As of June 30, 2020 and 2019

	General Fund	
	2020	**2019**
ASSETS		
Cash	**$ 4,762,214**	$ 3,420,238
Short-term receivable	**55,703**	186,975
Long-term receivable, net	**2,500**	8,500
Total Assets	**4,820,417**	3,615,713
LIABILITIES		
Accounts payable and accrued expenses	**250,647**	99,499
Total Liabilities	**250,647**	99,499
FUND BALANCES		
Nonspendable fund balance	**8,500**	14,500
Restricted	**4,561,270**	3,501,714
Total Fund Balances	**4,569,770**	3,516,214
Total Liabilities and Fund Balance	**$ 4,820,417**	$ 3,615,713

The accompanying notes are an integral part of these statements.

MARYLAND AFFORDABLE HOUSING TRUST

Statements of Revenue, Expenditures and Change in Fund Balance- Governmental Fund
For the Years Ended June 30, 2020 and 2019

	General Fund	
	2020	**2019**
REVENUES		
Escrow income	**$ 2,333,397**	$ 1,960,596
Return of grant/loan funds	**-**	23,800
Total Revenues	**2,333,397**	1,984,396
EXPENDITURES		
Grant expenditures	**1,155,819**	781,169
Administration	**124,022**	122,468
Total Expenditures	**1,279,841**	903,637
Excess of Revenues over Expenditures	**1,053,556**	1,080,759
OTHER FINANCING SOURCES		
Funding from Department of Housing and Community Development	**-**	732
Net Change in Fund Balance	**1,053,556**	1,081,491
Fund Balances - Beginning	**3,516,214**	2,434,723
Fund Balances - Ending	**$ 4,569,770**	$ 3,516,214

The accompanying notes are an integral part of these statements.

1. BACKGROUND OF THE ORGANIZATION

Financial Reporting Entity

The Maryland Affordable Housing Trust ("MAHT") was created in 1992 by an Act of the Maryland General Assembly. In 1996, regulations were adopted. In 1998, these regulations were amended. MAHT is a public instrumentality of the State of Maryland ("the State") that provides funding to create affordable housing in Maryland. MAHT operates under the policy direction of an eleven-member Board of Trustees appointed by the Governor. The Maryland Department of Housing and Community Development (MD-DHCD) accounts for MAHT as a Special Fund in its financial operations.

MAHT acquires funds through interest earned on the title insurance companies' escrow accounts. Under the law, title companies shall pool and commingle trust monies received from clients or beneficial owners if a separate deposit of the trust money would generate $50 or less in interest, or more than $50 in interest, if in the latter case financial institution charges are anticipated to be more than the interest which would be earned on the trust money if separately deposited. The financial institution in which the commingled account is maintained shall pay the interest earned, less reasonable and customary service charges, to MAHT.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of MAHT are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

The accounts of MAHT are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. MAHT records revenue when the interest that is earned from title insurance companies' escrow accounts maintained at various financial institutions is remitted to MAHT through MD-DHCD or becomes susceptible to accrual.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Program revenues include interest income earned on title companies' escrow accounts, interest income earned on invested funds, repayments from pre-development awards, and program support contributions. Other revenue sources not properly included with program revenues are reported as general revenues. Grant expenditures from previous years and returned in the current year and repayments of pre-development awards are listed as "Return of grant/loan Funds."

While government-wide and fund financial statements are presented separately, they are interrelated. For MAHT the two approaches effectively present the same result, with only classification differences. The government-wide statements incorporate data from governmental funds. Separate financial statements are provided for each major governmental fund. There are no proprietary or fiduciary funds held by MAHT.

Governmental fund statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period, or soon enough thereafter to pay current liabilities. MAHT considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Major revenue sources susceptible to year-end accrual include bank remittances and compliance receipts. In general, all other revenues are considered measurable and available when cash is received.

When both restricted and unrestricted resources are available for use, it is MAHT's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds

The accounts of MAHT are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. There are no non-major funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Types and Major Funds (continued)

MAHT reports the following major governmental funds:

The General Fund – This is the primary operating fund of MAHT. It accounts for all of the financial resources and the legally authorized activities of MAHT except for those required to be accounted for in other specialized funds. The general fund accounts for the normal operating activities of MAHT. These activities are financed primarily by bank remittances on escrow accounts.

Special Revenue Fund – This fund accounts for all monies received from the general fund of the State of Maryland. There was no opening balance at the beginning of the year or activity occurring within the special revenue fund during the years ended June 30, 2019 and June 30, 2019, and as such, the special revenue fund is not reflected in these financial statements.

Budgetary Data

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. All State budgetary expenditures for the general, special, Federal, current unrestricted and current restricted funds are made pursuant to appropriations in the annual budget, as amended from time to time by budget amendments. MAHT's budget consists of special funds and general funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations for special funds, either increasing or decreasing the original budgeted amount, dependent upon the availability of such funds.

Cash

MAHT's cash is pooled with the State's funds and is under the custody of the State Treasurer.

Receivables

Short-term receivables consist primarily of bank remittances and compliance receipts. Long-term receivables consist of pre-development grants. MAHT has determined that the collectability of certain pre-development grants is uncertain and accordingly has recorded an allowance for doubtful accounts. Due to the nature of pre-development grant projects, it is MAHT's policy to maintain the allowance until repayment is received or a repayment agreement is signed unless a pre-development grant falls through at which time the receivable is written off.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in Capital Assets
This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduce this category. MAHT currently has no net position invested in capital assets.

Restricted Net Position
This category represents the net position of MAHT which has been restricted for a specific project or purpose by law through constitutional provisions or enabling legislation. As of June 30, 2020, and 2019, MAHT reported $4,569,770 and $3,516,214 respectively of restricted net position.

Unrestricted Net Position
This category represents the net position of MAHT, which is not restricted for any project or other purpose by third parties. MAHT currently has no unrestricted net position.

Fund Balances

In the fund financial statements, fund balances are classified in the following categories:

Nonspendable
This category includes amounts that cannot be spent due to form, such as inventory, prepaid amounts, long term receivables or amounts that must be maintained intact legally or contractually. As of June 30, 2020, and 2019, MAHT had nonspendable funds of $8,500 and $14,500 respectively for long-term receivables that are not in spendable form, as they are not collected within 60 days of year end.

Restricted
This category includes amounts constrained by an external party, constitutional provision or enabling legislation. As of June 30, 2020, and 2019, MAHT had $4,561,270, and $3,501,714, respectively as restricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances (continued)

Unassigned
This category includes all funds which are not specifically classified as Nonspendable, or Restricted. As of June 30, 2020, and 2019, MAHT did not have any assets to be reported in this category.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Costs Not Reflected in These Financial Statements - General services such as accounting, data processing and administration are provided by the MD-DHCD. Most of these general service expenditures are not reasonably estimable, and as such are not reflected in these basic financial statements. Those personnel costs that are charged to MAHT include salaries and related costs and are reflected in these basic financial statements. In addition, there are no liabilities pertaining to annual leave, retirement, post-employment benefits and deferred compensation plans in these basic financial statements.

3. CASH AND INVESTMENTS

Deposit Policies

MAHT's deposits and investments are pooled with the State's funds and are under the custody of the State Treasurer. The State Treasurer's Office invests short-term cash balances on a daily basis. The investments consist of securities or repurchase agreements, U.S. Government obligations and money market mutual funds.

3. CASH AND INVESTMENTS (continued)

Deposit Policies (continued)

Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following: (1) any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest, (2) any obligation that a United States agency issues in accordance with an act of Congress, (3) repurchase agreements that any of the above obligations secure, (4) certificates of deposit of Maryland financial institutions, (5) banker's acceptances, (6) mutual funds, (7) commercial paper and (8) Maryland Local Government Investment Pool. All deposits are maintained with financial institutions within the State and all balances are covered by FDIC insurance or collateral that exceeds the amount by which deposits exceed FDIC insurance limits.

A significant portion of the investments maintained by the State Treasurer consists of repurchase agreements. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping

Custodial credit risk for deposits is the risk that in the event of a bank failure, MAHT's deposits may not be returned or MAHT will not be able to recover collateral securities in the possession of an outside party. MAHT's policy requires deposits to be insured by FDIC, and balances exceeding FDIC limits be secured by a surety bond or collateral valued 102% of principal and accrued interest. Collateral is to be held by MAHT, its agent, or by the pledging institution's trust department or agent in the name of MAHT.

As of June 30, 2020, and 2019, the carrying amounts of MAHT's deposits were $4,762,214 and $3,420,238, respectively.

Investment Policies

Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. MAHT's policy for reducing its exposure to credit risk is to comply with the Maryland State Treasurer's policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. MAHT's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

3. CASH AND INVESTMENTS (continued)

Investment Policies (continued)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of MAHT's investment in a single issuer. MAHT's policy for reducing this risk of loss is to comply with the Maryland State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

For investments, *Custodial Credit Risk* is the risk that, in the event of the failure of the counterparty, MAHT will not be able to recover the value of its investments or collateral securities in the possession of an outside party. MAHT's policy is for collateral to be held by MAHT, its agent, or by the pledging institution's trust department or agent in the name of MAHT.

Substantially all cash and cash equivalents of the governmental fund types and certain enterprise, fiduciary funds and component units are maintained by the State Treasurer on a pooled basis. The State Treasurer's Office invests short-term cash balances on a daily basis primarily in the repurchase agreements, U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest
- Any obligation that a United States agency issues in accordance with an act of Congress
- Repurchase agreements that any of the above obligations secure
- Certificates of deposits of Maryland financial institutions
- Banker's acceptances
- Money market mutual funds
- Commercial paper
- Maryland Local Government Investment Pool

In addition, bond sale proceeds may be invested in Municipal securities. A significant portion of the investments maintained by the State Treasurer consists of repurchase agreements. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurers' custodian for safekeeping.

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based on unadjusted quoted prices by fund managers for securities which are not actively traded. Valuation techniques utilized to determine fair value are consistently applied. There are no assets valued based on Level 3 inputs, and consequently there were no transfers into or out of Level 3. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

4. ACCOUNTS RECEIVABLE

The receivable balance consists of the escrow revenue earned as of June 30, 2020 but received by MAHT subsequent to that date, and the net short-term portion of the long-term predevelopment grants. Management has recorded an allowance for uncollectible receivables of $200,000 and $200,000 as of June 30, 2020 and 2019, respectively.

5. GRANT EXPENDITURES

MAHT has entered into grant agreements with several organizations. Payment to the grantee is dependent upon the satisfaction of the conditions of the agreements.

6. RISK MANAGEMENT

MAHT is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters. All funds, agencies, and authorities of the State participate in the self-insurance program (the Program). The Program is self-insured for general liability, property and casualty, workers compensation, environmental and anti-trust liabilities and certain employee health benefits. The Program allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses. No costs were charged to MAHT for the Program for the years ended June 30, 2020 and 2019.

This is a total risk and cost sharing pool for all participants. In the event that the risk pool falls into a deficit that cannot be satisfied by transfers from the risk pool's capital and surplus accounts, the risk pool shall determine a method to fund the deficit. The Program could assess an additional premium to each participant, including MAHT. MAHT's management believes that an additional premium to fund a deficit would not be material.

A more complete description of the State's risk management program may be found in the State's Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained by writing to the State Comptroller, P.O. Box 466, Annapolis, Maryland 21404-0466.

7. PENSION AND OTHER POSTRETIREMENT BENEFITS

Eligible employees who perform services for MAHT and employees of the State are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. MAHT's only liability for retirement and post-employment benefits is its required annual contribution to DHCD, which in turn was paid in full to the State of Maryland prior to year-end.

7. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

The System is considered part of the State's financial reporting entity and is not considered a part of MAHT's reporting entity. The System prepares a separate Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension System of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

8. FUNDING FROM DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

MAHT regulations allow for 5% of fund balance to be used to cover program administrative expenditures. During the current fiscal year ended June 30, 2020, program expenditures did not exceed the allowable amount. During the prior fiscal year, ended June 30, 2019, program expenditures exceeded the allowable amount. To fund the overage, MD-DHCD transferred $732 to MAHT for the year ended June 30, 2019.

9. SUBSEQUENT EVENTS

MAHT evaluated the accompanying financial statements for subsequent events and transactions through September 28, 2020, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of the
Maryland Affordable Housing Trust

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Maryland Affordable Housing Trust (MAHT) as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise MAHT's basic financial statements, and have issued our report thereon dated September 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MAHT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MAHT's internal control. Accordingly, we do not express an opinion on the effectiveness of MAHT's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

10200 Grand Central Avenue • Suite 250 • Owings Mills • Maryland 21117 • P 410.584.0060 • F 410.584.0061

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MAHT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
September 28, 2020

SB & Company, LLC

MARYLAND AFFORDABLE HOUSING TRUST

Schedule of Revenue and Expenditures- Budget and Actual
For the Year Ended June 30, 2020

	Original	Final	Actual	Variance
Revenues:				
Escrow income	$ 1,433,853	$ 3,086,163	$ 2,333,397	$ (752,766)
Total Program Revenues	1,433,853	3,086,163	2,333,397	(752,766)
Expenditures:				
General fund	1,155,818	3,086,163	2,960,592	125,571
Total Expenditures	1,155,818	3,086,163	2,960,592	125,571
Excess (deficiency) of revenue over expenditures	$ 278,035	$ -	$ (627,195)	$ (627,195)

Reconciliation to GAAP for the year ended June 30:	2020	2019
Other Income:		
Funding from the Department of Housing and Community Development	$ -	$ 732
Excess of revenue over expenditures - budgetary basis	(627,195)	693,493
Encumbrances - current year grants	2,354,459	727,566
Encumbrances - drawdowns on prior year grants	(673,707)	(340,300)
Excess of revenue over expenditures - Statement of Revenues, Expenditures, and Change in Fund Balance	$ 1,053,557	$ 1,081,491